

Mr. Hayes - C G

The AMERICAN OBSERVER

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and enlightened people must know well the great
principles and causes on which their happiness depends. — James Madison

VOLUME I, NUMBER 37

WASHINGTON, D. C.

JUNE 1, 1932

SINO-JAPANESE CLASH TOPS FOREIGN EVENTS

Serious Threat to Peace Has Kept
World in Uncertainty During
Recent Months

EUROPEAN POLITICS IMPORTANT

Disarmament Parley Deadlocked
Because of Conflicting
National Views

In time to come when the events of past months are written into the pages of history, it seems certain that the story which will be told will make lively and absorbing reading. At present we are too close to those events, many of which are still in the process of happening, to make an accurate appraisal of their significance and the place they will eventually come to occupy in world history. However, viewing the immediate past as we can now see it, we are probably safe in saying that not many years within the memory of living people have been so packed with important developments as the twelve months or so which have just elapsed.

SUMMER OF 1931

While it is our intention to present in these columns a summary of the most important events of the past nine months in the field of foreign politics, it is necessary to take briefly into account what happened during the three preceding months, the summer of 1931, in order to make the picture complete. It was about this time last year that there was a financial panic in Austria, marked by the failure of the Bank of Austria, the Creditanstalt. This was the first of a series of financial crises which swept like a windstorm over the European continent. The story of Germany's collapse is too well known to need recounting. The anxious days of continued suspense which slipped by while negotiations for the one-year debt moratorium were in progress furnish material for a particularly vivid chapter in the history of recent international relations.

It will also be recalled that the effects of the German crisis began to be felt in England during the summer months. In August there was a hurried reorganization of the government into a national coalition of the three political parties under the prime ministership of Ramsay MacDonald. Emergency measures were hastily and almost frantically put into effect in order to balance the British budget, to restore confidence in Britain's currency and to save the pound. The budget was balanced but the pound was lost. Foreigners who had money invested and deposited in Britain rapidly withdrew huge sums, and gold left the country at an alarming rate. So great was the strain that in September Britain abandoned the gold standard, and her action was followed by such lesser countries as Norway, Sweden and Denmark, all of which felt the effects of the British and European crises. Such, briefly, were the main events of the summer.

THE FAR EAST

During the early part of September the attention of the world was naturally centered on Europe, as the developments outlined above had rendered the general situation highly critical. However, on September 18, Japanese troops quietly and

(Concluded on page 7)



OWEN D. YOUNG

© Wide World Photos

Owen D. Young Heads N. Y. Committee to Forward Business Recovery Program

In an attempt to work unitedly in combating the depression, a powerful group of New York bankers and industrialists was organized into a special committee on May 19. Owen D. Young, chairman of the board of the General Electric Company and one of the outstanding industrialists of the nation, was named chairman of the group. Other members include such men as Walter S. Gifford, president of the American Telephone and Telegraph Company, Albert H. Wiggin, chairman of the governing board of the Chase National Bank and Alfred P. Sloan, Jr., president of the General Motors Corporation. The twelve members will work in cooperation with the heads of the Federal Reserve Board in an effort to improve business conditions and break the shackles which have retarded recovery from the depression.

The creation of such a non-governmental body was held necessary because of the failure of the numerous relief measures to produce the results for which they were intended. One of the principal functions of the committee will be to serve as a medium between banking interests and industrial concerns. The Federal Reserve banks of the nation have for several weeks been purchasing government bonds from individual banks, with the hope that the banks would use the money derived from the sale of the bonds for loans to industrial concerns. But the facts show that the banks, instead of making loans, have left the money on de-

posit in New York. Commercial banks have either been reluctant to make loans or they have been unable to find borrowers willing to take advantage of these additional credit facilities. As a result, the program has fallen short of its original purpose—an increase in industrial activity, the employment of men, and the utilization of surplus materials.

The Young Committee will undertake to start the flow of these funds into productive channels so as to benefit the country by starting an upward trend in business. It will strive to bring together the banking concerns with loanable funds and the numerous industrial companies willing to embark upon programs which will create jobs for the unemployed, and use large quantities of materials, such as wide-scale construction programs. It is held that many such concerns are ready to launch works of this nature but are unable to find sufficient capital. Companies engaged in the building and financing of homes, for example, have been unable to carry out their plans on this account.

While details of the course of action to be followed by the Young Committee have not yet been worked out, it is understood that they will undertake to direct bankers to reliable borrowers who are in a position to start productive activity. It is being urged that similar committees be organized in the other Federal Reserve districts of the nation so as to permit the working of this plan on a nation-wide scale.

DEPRESSION NATION'S MOST SERIOUS ISSUE

Summary of Past Months Shows Far-
Reaching Effects of Crisis
Upon All Classes

RELIEF MEASURES REVIEWED

Foreign Relations, Legislative
Acts, Political Situation
Outstanding

The end of the school year presents an excellent opportunity to take stock of the outstanding developments in our national life which have taken place during the past few months. We are therefore devoting these columns of THE AMERICAN OBSERVER to a brief review of the most important events, the most serious problems, and the fundamental issues which have confronted the American people and the United States government. Many of these questions remain unsolved, others have been successfully handled, while still others have been passed over.

DOWNWARD TREND

A brief analysis of this nature must perforce begin with a consideration of the economic depression, since it is the one problem with which every citizen is concerned. The grave crisis has given rise to a serious study on the part of the greatest minds in the country. The fact that its devastating effects are so far-reaching, touching the lives of millions of citizens in every section of the nation, naturally gives it the rank of supreme importance among all our problems.

As we turn our attention to the monthly course of events since the first of September, it becomes apparent that conditions have not measurably improved. Over the nine-month period, the general trend has been downward. If the prices of stocks and bonds listed on the security markets may be used as a barometer of business conditions, few hopeful signs are to be seen. The decline has been precipitate in many instances. A study of such prices reveals that the average price for one hundred stocks listed on the New York Stock Exchange was around \$120 in September; now it is \$80. At that time, the average bond price was \$93; now it is \$74.

This condition alone has had disastrous effects upon large masses of the population. Fortunes, large and small, have been wiped out. Others have shrunk in value to such an extent that they have today only a fraction of their original value. Countless small investors who placed their savings in such securities a few years ago have been forced to sell their holdings for what they could receive, thus suffering heavy losses.

FARMERS AND LABORERS

Then, as we turn from the investor class of our population to another section, the farmers, we find conditions no more favorable. True, the distress among the agricultural interests has not been a development of the past few months. But the farmers have, many of them, been faced with complete bankruptcy by the prolongation of low prices. As they have been forced to pay off their debts contracted when prices were high, they have found it impossible to obtain the money. The constantly declining price of leading commodities has made it extremely difficult for all producers to eke out an existence.

The period we are considering has been

decidedly unfortunate for the laboring classes. The toll of unemployment has mounted constantly. And there has been a growing tendency on the part of industrial concerns to cut wages or operate their plants on a part-time basis. While wage cuts had been fairly prevalent before last September, the dam appeared to break early that month as a number of the larger concerns, such as the United States Steel Corporation and other steel manufacturers, announced that a ten per cent slash would be imposed upon their employees. A few months later, the railroads imposed a similar reduction upon their workers, after the representatives of the labor unions had agreed to accept the cut for a period of one year.

This general picture of gloom has been interspersed with brief periods of optimism. On several occasions there have been sporadic rises in prices on both the commodity and security exchanges. Most bits of hopeful news from Washington have been felt on the markets by a rise in the price of stocks, but the upward trend has only proved to be temporary. A general wave of optimism took hold of the farmers late in the fall when grain prices rose to the highest levels in months, but this, too, proved only a temporary movement.

We should not, however, fail to take into consideration one of the encouraging developments of the past few months. The emergency measures put into effect by the government have shown results in at least one field of economic activity. Bank failures, which were running into hundreds a few months ago, have virtually been arrested. There was nothing which apparently destroyed confidence to such an extent as the wide-scale closing down of banks. The bolstering up of the nation's credit structure by the organization of the Reconstruction Finance Corporation and the enactment of the Glass-Steagall bill are considered the principal factors in reducing bank failures to a minimum. The Finance Corporation, with available funds of two billion dollars, has come to the rescue of innumerable banks and tided them over a critical period. The modification of the banking laws of the nation through the Glass-Steagall measure has given the Federal Reserve banks additional power to cope with the situation.

RELIEF MEASURES

Efforts to utilize these resources for an improvement in industries and to provide additional employment are now being made. Leading industrialists and bankers are organizing themselves in such a way as to extend these benefits throughout the economic system. There seems to be a growing tendency on the part of both business and governmental leaders to realize

that something definite must be done to combat the depression and that conditions will not correct themselves without courageous action.

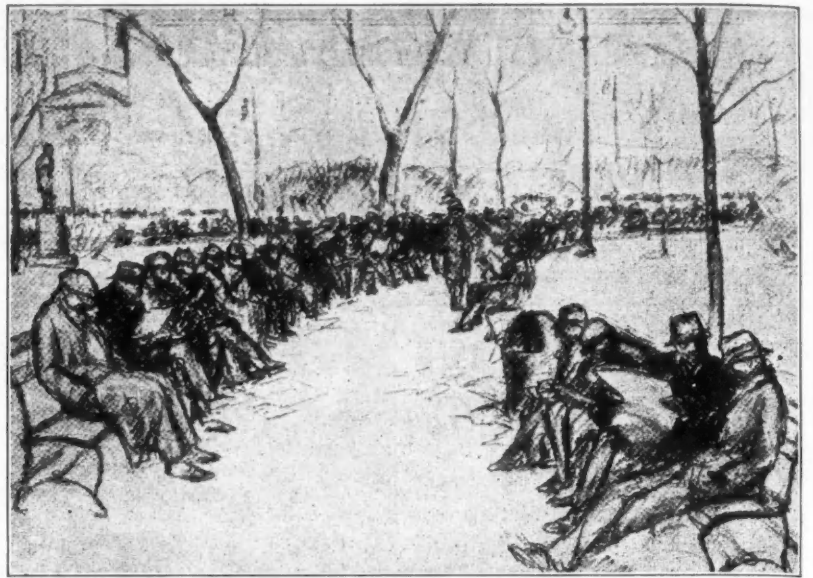
This question, as well as that of unemployment, is being faced squarely by a large number of political leaders. Men who formerly believed that the unemployment problem was one to be handled by private organizations have recently changed their position and recommended that governmental action be taken to provide relief. Leaders of both political parties have now come out with definite programs, consisting of plans for direct aid to those in distress and of suggestions for an expansion of construction so as to employ more men and absorb large quantities of materials. A few months ago, an effort to obtain an appropriation for direct relief was defeated in the Senate when that body rejected the Costigan-La Follette bill calling for a \$375,000,000 fund for relief.

Aside from the measures designed to offer relief from the depression, the principal problem of congressional politics has been that of balancing the budget. A large part of the present session of Congress has been devoted to a consideration of methods to bring the government's accounts into balance. While various taxation proposals have met rebuffs, members of Congress have generally agreed that the budget must be balanced if the government's credit is to remain unimpaired. The problem has not been tackled from one angle only. Both houses are striving to work out a suitable economy program in government expenses as well as a satisfactory revenue bill.

FOREIGN AFFAIRS

As we shift our attention to the relations of the United States with foreign nations during the past nine months, we find three major developments of importance. Under the leadership of the secretary of state, the government has cooperated with other nations in an effort to bring to an end the Sino-Japanese conflict. A firm policy has been enunciated by Mr. Stimson, calling upon the belligerents to adhere to their international obligations as contained in various treaties to which they are parties.

In the matter of war debts and reparations payments, there has been a reversal of policy, due largely to the definite attitude expressed by Congress in ratifying the moratorium. In placing its stamp of approval upon Mr. Hoover's action of last summer in postponing inter-governmental debts for one year, Congress voiced itself as decidedly opposed to further concessions to foreign creditors. Congress has made it impossible for the president to make the readjustments he thought would be necessary.



—C. W. Anderson in LIFE

PROVISION FOR THEIR RELIEF IS ONE OF THE CHIEF CONCERNS OF THE COUNTRY.

At the disarmament conference in Geneva, the American government has taken an active, although not a spectacular, part. The efforts of the delegates of this country have been directed largely to reconciling the various national points of view. During his recent visit, Mr. Stimson endeavored to act as a mediator by conferring with other prominent statesmen. The fruits of his efforts have not, however, become apparent as yet.

IMPORTANT LEGISLATION

What important legislation has been enacted by Congress during the present session, aside from the financial and relief measures? Possibly the most outstanding act was the adoption by both houses of the "Lame Duck" resolution providing for an amendment to the Constitution. This reform in representative government has been up for consideration for a number of years, but until this year its enactment had always been blocked. The amendment, now before the state legislatures for ratification, is one of the most far-reaching changes in government enacted in many years. It enables the people to have a more direct voice in the affairs of government by providing for the immediate seating of the representatives that they choose in the national elections.

Another outstanding piece of legislation, this one dealing with the labor problem, was the Norris-LaGuardia anti-injunction bill. This reform, too, has been demanded for a number of years by the labor interests. It limits the power of the federal courts in disputes between laborers and their employers, making it impossible for judges to issue injunctions in disputes on the mere presumption that damage is to be done by a laborers' strike.

It is significant, too, that one of the branches of Congress has taken definite action on the question of Philippine independence this year. The passage of the Hare bill by the House of Representatives marks the first time in the protracted Philippine dispute that either house has voted to release the islands at a definite date. According to the terms of the bill, the Filipinos would be given complete independence within eight years after its enactment.

The change in the rules of the House of Representatives, while commanding less attention than other matters, is one of the outstanding accomplishments of the present session of Congress. Its adoption has made possible a greater degree of democracy in the lower chamber. Members who wish

definite action on a bill may now obtain it, whereas formerly they were helpless. They can force any specific measure out of the hands of a committee, provided that a sufficient number are in favor of bringing it up for consideration on the floor of the House.

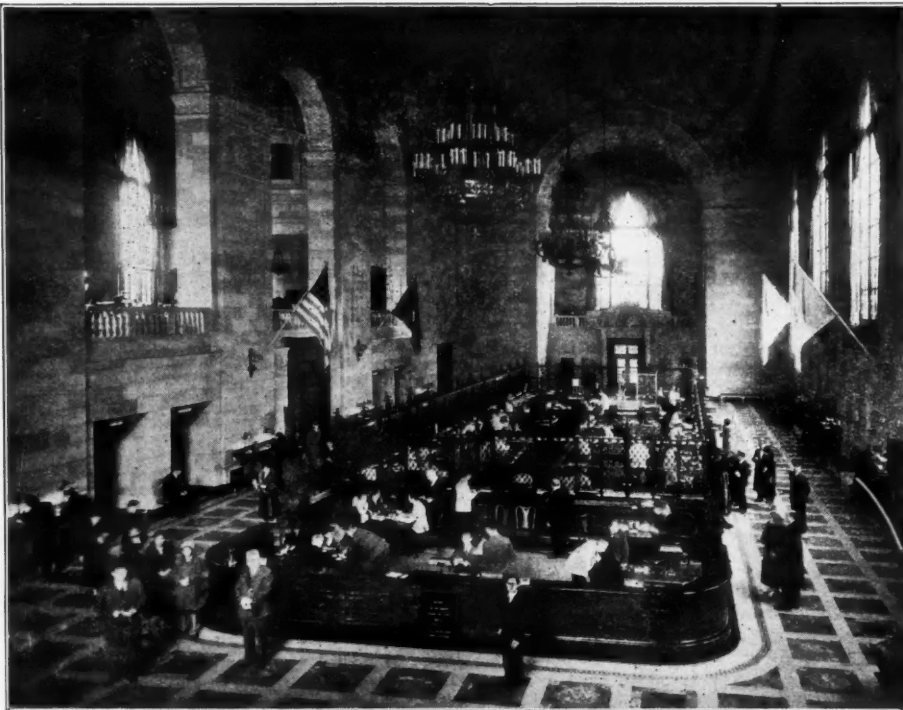
PROHIBITION

Under the new rules, members of the House have forced a number of votes on the prohibition issue. A motion to consider the Beck-Linthicum resolution was brought to a vote, the first direct vote on the question of the eighteenth amendment since its enactment. Then, the advocates of a modification of the Volstead Act so as to authorize the manufacture and sale of beer containing 2.75 per cent alcohol were able to bring the bill before the House by applying the new rules. While both of these measures were defeated on the floor, it is significant that members had the opportunity to express their sentiments and to prevent the "shelving" of the bills by the committees.

Although the grave nature of the crisis confronting the country has led members of Congress to agree to a non-partisan consideration of legislative matters, there have been, on several occasions, skirmishes for political advantage. Members of the two political parties have at times burst out in attacks upon their opponents. Such a display of party politics is only natural in a national election year. The desire of the "outs" to become "ins" in November and the aspirations of the "ins" to retain power always lead to a certain degree of political maneuvering.

Throughout the entire year, attention has been focused upon presidential politics. The statements of the various aspirants for the Democratic nomination have been watched with eagerness. The trend of the state primaries has lent interest to the contest. These political developments have been important to those who are interested in the fundamental issues before the nation because they reveal some of the problems with which the two parties will have to wrestle when they draft their platforms.

And as the school year approaches its close, it is apparent that the country is on the threshold of a critical period. Many of the major problems remain unsolved. The outcome of a great number of the issues is not yet known. Whether Congress will succeed in balancing the budget by means of an adequate revenue bill acceptable to both houses and by a comprehensive program of economy will be known only when the present session adjourns. The gigantic problem of relief has only recently been touched upon, and has brought an increasing demand that Congress remain in session until it has adopted a program sufficiently broad to meet the minimum needs of the country. The uncertainty of the outcome of the national conventions and elections is a matter of deep interest to the entire population.



ONE OF THE NATION'S GREAT SAVINGS BANKS

The government took action during the past nine months to relieve the banking situation which became critical and threatened to make the depression more severe.

© Ewing Galloway

French, Austrian and Irish Correspondents Give Views on Problems of Interest

The editors of THE AMERICAN OBSERVER receive letters regularly from men and women of twenty well-scattered countries. It is very interesting to examine the views expressed in these letters about such international problems as debts, reparations and disarmament. Many of the letters which we receive from England, Germany, Switzerland, Austria, Hungary, the Scandinavian countries, and from people in outlying parts of the world, take the position that reparations and debts ought to be cancelled or very drastically reduced. Let us see now what the French attitude is. We quoted some time ago from one of our French correspondents, a manufacturer of Lille. In a recent letter he contributes these remarks concerning reparations:

When a driver knocks down a pedestrian with his car, although he does not do it on purpose he has to pay an indemnity to his victim. This principle applies to the present case. Besides, not only did the German armies commit devastations which were necessitated by the war but they systematically ruined the main industries of northern France to prevent competition after the war. Secret orders from the German staff to this purpose were captured and published by the French government. I myself have a copy thereof.

Some people say, "France is entitled to reparations, but what is the use of insisting upon getting them since Germany is unable to pay them?" Is Germany really unable to pay reparations? They only amount to five per cent of her budget and I doubt this incapacity when I see the splendid monuments, bridges, towns, roads, etc., she has so lavishly built all over her territory. Now suppose Germany is at present unable to pay reparations, does this mean that she will always be unable to pay them? I think that sooner or later that hard working people will make money again and be in a position to keep that small portion of five per cent of her budget.

After these general considerations, may I take the liberty of giving my private experience of this problem? My family's house was transformed into a block house by the German armies; the factory where I get my living was destroyed by Russian prisoners under the guidance of the German N.C.O.s, the more modern machines being removed to Germany. After the war the firm soon received a small portion of reparations. That was paid in cash in order to repair and start the mill to give employment to the demobilized soldiers. For the rest, we received bonds, payable within thirty or sixty years. But after the franc broke down the purchasing power of every annuity grew smaller and taxation increased so that we soon paid much more than we actually received. And just now the French state claims back a certain amount of the reparation money to share it among the unfortunate people who have not got anything yet. If we cannot pay cash on

account of the acute crisis we must borrow from the bank at a heavy rate and give property as a guarantee. And I hear that the town of Berlin spends 200,000 pounds a year on flowers for her public gardens.

Of course, those who doubt the wisdom of trying to collect reparations may find arguments to answer this letter. They may say that the German people might collect money to spend at home but that it is quite a different thing to send money out of the country—that the shipping of money from a country endangers the currency and may lead to panic and depression. It may be argued that the real reparations problem is the transfer problem and not that of raising the money. But however that may be, this clear statement of the French position helps one to understand the way the French feel about the problem. Our correspondent makes this further observation which should be of particular interest to Americans:

In France, as a rule, there is no spirit of unfriendliness toward America; I mean, toward the American people. But there is much criticism about the attitude of the American financiers who lent money to Germany to get a high rate of interest and who now want the reparations to be wiped out in order to get back their own funds.

We have had several interesting letters from Austria lately. One is from the assistant manager of the castle at Innsbruck, a picture of which is shown on this page. To Americans it seems like a voice from a romantic past to hear so directly from one of these old castles. This correspondent comments upon the sentiment for monarchy in Austria:

There is a movement, and there are supporters, who should like a restoration of a monarchy in Austria, but it is a comparatively small part of the population. Among peasants the argument goes that the old time was the better one. Very true, of course, and this fact is much used to make the people believe that a restoration of monarchy would bring improvement of conditions. No emperor and no dictator could help at present. Widespread is the dissatisfaction with the present system of government, but a restoration of monarchy is not likely, as perhaps eighty per cent of the Austrian population approve a democratic system.

This little side-light on conditions in Vienna, capital of Austria, is furnished by a young girl but recently out of school:

The life here? Well, all people live. It is only a question how they live. Wherever you look—unemployment. Nearly all my friends are unemployed and if they had not their parents, heaven knows where they would come to. True, each metropolis has her sunny and her shady side—at the one part, the rich and those in luxury; at the other part, the poor, the beggars, the cripples and street singers. But it seems that in no other capital the shady side is so predominating as here.

A letter from a North Irish school teacher furnishes the interesting bit of information that many people in North Ireland, or Ulster, favor a union with the Irish Free State. These, however, appear not to be in a majority.

I don't think the six counties of Ulster could ever be persuaded willingly to agree to an inclusion in an Irish republic, if Ireland were to break away from the British Commonwealth of Nations.



—Tiroler Kunstverlag, Innsbruck

INNSBRUCK—WHERE AUSTRIA IS AT ITS BEST

This particular castle is under the management of one of our correspondents whose letter is quoted on this page.

THOUGHTS AND SMILES

Some people may have frozen assets, but ours are petrified.

—New York Herald-Tribune

Isn't it a pity the Marines can't be used to protect property of American citizens in Wall Street?

—Lynchburg News

Now that May Day is over and now that the atom has been split without the world blowing up, a restored confidence ought to make itself felt.

—Toronto (Ontario) Daily Star

What we are looking for is a statesman who will invent a lot of taxes that nobody but the other fellow will have to pay.

—Milwaukee Sentinel

All desire is the denial of wisdom, all thought, of comprehension, all action, of repose.

—Henri Fauconnier

There isn't any way to balance the budget except on the taxpayer's neck.

—Schenectady Gazette

These are the days when it can be said in all truth that half the world doesn't know how the other half is living. And it would probably be astonished if it learned.

—Philadelphia Inquirer

Sign of approaching summer: Pictures of women garbed for tennis, with the customary high heels.

—F. P. A. in New York Herald-Tribune

Thirty million pairs of frog legs are consumed in New York City each year, but even so, thousands of people are still too slow to find seats on the subway.

—Life

Eggs are selling at 40 cents apiece in Russia. Communism may not do much for the workingman, but it's certainly elevated the social position of the hen.—Detroit News

A free country is one where the many let the few run things and then howl about the way they are run.

—Buffalo News

A news report states that Bordeaux, France, had a rain of fish when a waterspout broke suddenly. Old-timers are reminded of the stock market of 1929.

—Judge

PRONUNCIATIONS: Viscount Makoto Saito (vy-count mah-ko-to sy-to-o as in go), Minseito (min-say-to-o as in go), Seiyukai (say-you-ki-i as in time), Pilsudski (pil-sood'skee), Korea (ko-ree'a).

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WEDNESDAY, JUNE 1, 1932

TO OUR READERS

With this issue of THE AMERICAN OBSERVER we take leave, temporarily, we hope, of those of our readers who are taking the paper for the school year. We are, of course, continuing publication throughout the summer, for we operate throughout the calendar year. The school subscriptions, however, make up a considerable part of our circulation, and it is to these school subscribers we now speak.

We have undertaken throughout the months to explain events and developments clearly, to analyze issues fairly and to face problems of citizenship candidly. We hope that as a result of our work, the path of civic duty is a little more clearly outlined for each of you and that you have gathered from your reading of these pages some inspiration for a more effective fulfillment of your responsibilities in this period of crisis.

We hope that each of you may be back with us in the fall and that, in the meantime, you may enjoy a very pleasant summer.

REVIEW OF THE WEEK

AFTER a number of conferences, Democratic leaders in Congress have reached a definite agreement upon a program of business and unemployment relief. In many respects, their plan, which is expected to be presented to the Senate within a few days, differs from the original proposal of Senator Robinson of Arkansas. There are three principal lines of attack which the Democrats endeavor to follow in affording relief. First, their plan provides that \$300,000,000 shall be advanced to the states for the direct relief of those in distress. This fund would come from the Reconstruction Finance Corporation. Second, they recommend that the Reconstruction Finance Corporation be authorized to double its borrowing power, that

is, that it be authorized to sell \$1,500,000,000 worth of additional bonds. This would be used to make loans to public bodies for the purpose of launching construction programs of a self-liquidating nature, such as toll bridges or other enterprises which, when completed, would pay for themselves. The third provision is that the government sell \$500,000,000 worth of bonds the proceeds of which would be used to carry on a program of federal public works.

This plan has not met the whole-hearted support of President Hoover. In the program of relief which he has presented and which we described last week, the president recommended that the \$300,000,000 fund for direct relief be made. In this respect, Mr. Hoover and the Democrats are in agreement. But in the other two provisions, there is a sharp difference of opinion. The president is stoutly opposed to a bond issue for public works, the third point of the Democratic program. He and the Democrats are at odds over the additional loans to be made by the Reconstruction Finance Corporation. The president would have the finance organization double its capital, but he believes that loans should be made to private organizations and industry as well as to public bodies. The Democrats are opposed to the use of this fund by private industries.

By opposing the program of public works as an unemployment relief measure, the president drew an attack from former Governor Alfred E. Smith last week. Mr. Smith believes that the situation is so critical that a broad program of public works should be undertaken by the government regardless of whether they may be considered "productive" enterprises, that is, whether they are self-liquidating or will earn money with which to pay the costs of building. The former governor is strongly in favor of highway building as one of the best methods of providing jobs for large numbers of unemployed.

THE Senate made little progress in its consideration of the tax bill last week, due largely to the fact that it spent several days considering matters not directly connected with taxation, such as tariffs, farm relief measures and other controversial subjects. After the vote on the income and estate tax sections of the bill, a veritable storm broke on the question of the four proposed tariffs—an import duty on oil, copper, lumber and coal. In spite of the numerous night sessions held to dispose of these matters, the debates were protracted and several days elapsed before the tariff items were finally disposed of. The vote resulted in a victory for the advocates of these sections, as all the tariffs were accepted by the Senate.

When it became apparent that the tariffs were to be inserted into the revenue bill, Senator Norris of Nebraska opened a fight to place in the bill his export debenture plan which, he said, should be enacted in order to give equal privileges to the agricultural sections of the country. This plan provided that American farmers should receive a bounty, or a payment from the government, for their goods entering into export trade. The money would have been derived from the import duties collected on farm products coming into this country and the distribution to the farmers would have consisted of one half of the amount of such import duties on farm produce. The Senate, however, defeated this section on May 24 by a vote of 46 to 33.

After the delay of a week in considering these matters, the Senate returned to the tax bill. It then took up the excise taxes on specific products, such as automobiles and radios. Considerable opposition to these levies was expressed in different sections of the chamber. Senator David I. Walsh of Massachusetts made

an attempt to revive the manufacturers' sales tax as a substitute measure for the individual taxes on specific products. But it did not appear likely last week that he would be able to muster enough votes to secure the passage of this amendment.

FOLLOWING the unsettled conditions caused by the assassination of Premier Inukai, Japan has returned to a state of relative calm and tranquillity. On May 22, the emperor summoned to the imperial palace Viscount Makoto Saito, former governor of Korea, and requested him to form a new cabinet. In view of the grave crisis now hanging over the country, it is expected that the members of the new cabinet will be made up of the two leading political parties, the Minseito and the Seiyukai, instead of a one-party cabinet.

The appointment of Mr. Saito to the premiership of Japan is a deviation from the usual course. Under ordinary circumstances, the president of the Seiyukai Party, the party in power, would have been selected to fill the vacancy of the slain premier. Officials of the army, however, were opposed to the formation of a party cabinet, threatening to withdraw their support in the event that a coalition cabinet was not brought into being. The new premier is widely esteemed throughout Japan. He is known to be liberal-minded and free from political ambitions since he was called from retirement to head the emergency government.



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FRANKLIN D. ROOSEVELT

only two weeks away, and the Democratic barely a month, the political situation is daily assuming greater importance in the minds of people. When the Republicans meet at Chicago on June 14, they will of course renominate President Hoover by an overwhelming majority, and probably little opposition will develop to the renomination of Vice-President Curtis.

Principal interest in the Republican meeting will center on the platform which the party will adopt. President Hoover's policies, in general, are well known and will not require clarification. However, there is one dominant issue about which his position is not clear. It is not known whether or not he will favor action to repeal or liberalize the prohibition laws. It is expected that prohibition will be the principal issue at the convention, as the wets are determined to insert a wet plank in the platform and the dries will be vigorously opposed to such a step. President Hoover has kept silent on the issue, but on May 25 he conferred at length with party leaders over the coming convention. It is known that prohibition was discussed. The suggestion is made in some quarters that the Republican Party may endorse the principle of referendum on questions of national interest, and may advocate action which would render such votes constitutionally possible.

Over in the Democratic camp the situation is not so clear. Governor Roosevelt continues to amass delegates, and it seems that when the convention opens on June 27, he will have or will be within striking distance of a majority, although he will not have the 770—two-thirds—necessary to nomination. The present speculation is as to whether favorite sons, John N. Garner of Texas and J. Hamilton Lewis of Illinois, for instance, will be disposed to throw their support to Roosevelt. It is not known whether all these favorite sons will stick to the anti-Roosevelt forces headed by Alfred E. Smith. If they do, it seems



AT GENEVA

Uncle Sam—"My friend John Bull and I are for the suppression of heavy artillery and of course for land armies." (This cartoon illustrating the attitude taken by a French newspaper was sent us by a correspondent in that country.)

that the convention will be a long and drawn-out affair and may even be comparable to the famous Madison Square Garden Convention of 1924. However, one of the stronger favorite sons may be induced to swing his support to Roosevelt in return for the vice-presidential nomination. If a man like Garner, who has 90 votes, should do this, for instance, it would swell Roosevelt's total and would give him an excellent chance of being nominated.

On May 22, Governor Roosevelt made an address at the commencement exercises of Oglethorpe University at Atlanta, Georgia. He stated that we were "on the threshold of a fundamental change in our popular economic thought, that in the future we are going to think less about the producer and more about the consumer." He said that there would have to be a redistribution of the national income, that workers must have more money, more purchasing power, and that the income of big business must be reduced. He expressed his belief in national economic planning. Governor Roosevelt has been criticized by his opponents for not having been more specific and for not having offered concrete proposals. His supporters declare that he is leading up to this point, and that before the convention he will outline a definite program.

BOTH houses of Congress have recently taken a vote on beer. The Senate considered the matter in connection with the tax bill. On May 18, it voted on a proposal of Senator Tydings of Maryland to legalize beer containing 2.75 per cent alcohol and tax it. It was estimated that \$500,000,000 in revenue could be derived from that source. But the vote resulted in a defeat for the wets, 61 to 24. Immediately following the vote, the Senate placed a tax upon the ingredients of home-made beer and wine by a vote of 68 to 7. While the wets were satisfied before the vote that they would go down in defeat, they were gratified to see the results because the twenty-four votes in their favor constituted the largest number they have been able to muster in the upper house since the enactment of the prohibition laws.

The House turned its attention to the beer question on May 23. It voted on the O'Connor-Hull bill to legalize 2.75 per cent beer and tax it three cents a pint. The result was also a defeat for the wets, 228 to 169. The wets did not make such a good showing as a few weeks ago when a vote was taken on the motion to consider the Beck-Linthicum resolution, calling for the resubmission of the eighteenth amendment to the states. There are, however, many members of the House who believe the people should have an opportunity to vote on the prohibition issue but who do not favor the legalization of beer. They are dry themselves but are willing to abide by the decisions of the people.



WAITING FOR CONGRESS TO BALANCE THE NATIONAL BUDGET

—Brown in N. Y. HERALD-TRIBUNE

THE LIBRARY TABLE

STUDIES OF OPINION

XIII

The St. Louis *Post-Dispatch* argues editorially against a drastic program of immigration restriction at a time when the existing immigration laws, coupled with the discouragements of the economic situation, have reduced immigration to the minimum. Here is the *Post-Dispatch's* statement of the case:

The immigrant's role in our history has varied from that of invaluable aid in the country's development to that of a bogey whose "cheap foreign labor" was said to threaten America's welfare. Just now the immigrant is playing neither part, for his numbers have approached the vanishing point. The "great alien tide," once the favorite bugaboo of alarmist hundred-per-centers, flows no longer, but is ebbing.

Immigration in the first eight months of this fiscal year showed a decline of 68.6 per cent from the same period of last year—25,939 entries, as against 82,759. It is an immense shrinkage as compared with the maximum year, 1907, when 1,285,349 immigrants came in. Furthermore, the latest figures from the Department of Labor show that for every alien currently entering the country, three aliens leave. There are several reasons for the situation: the drastic deportation campaign, the refusal of visas to applicants by American Consuls abroad, the depression, which makes America no longer a "promised land," and discourages persons abroad from voyaging to these shores, while many of those living here are impelled to return to their native soil.

Nevertheless, a ghost of the ancient bugaboo persists, and several bills have been offered in Congress for further restriction of immigration. Despite the fact that economic conditions are exerting pressure to the same end, one bill calls for a 90 per cent reduction in the present quotas. This would include even Canada and Mexico, and would set aside the neighborly gesture by which Congress in 1924 exempted those adjacent nations from quota restrictions. The proposed curb undoubtedly would lead to ill-feeling on the part of these two countries, whose good will has been sought by generations of diplomats. As regards Mexicans, an exodus of great proportions has been going on for a year or more. This labor group, which was essential for many Southwestern industries now in the doldrums, thus could not be replenished, should business conditions improve, without special legislation.

Dr. Nicholas Murray Butler, president of Columbia University and a leader of the Republican Party, has come to the conclusion that the political party system is very unsatisfactory. He believes that the two

parties have ceased to stand for clear-cut principles. He says:

Here in the United States we are having political discussions and political contests camouflaged under party names which for some years past have been without any but merely nominal significance. The names Democrat and Republican are used by those who claim them to cloak all sorts and kinds of differences of opinion as to fundamental matters of political philosophy and public policy, as well as to cover a multitude of sins. All that these names really signify, however, is that the bearers of the one name are in present official place and power and that the bearers of the other name wish to oust them.

The *Baltimore Sun*, an independent Democratic paper, takes pleasure in quoting from Mr. Silas H. Strawn's address to the United States Chamber of Commerce. Mr. Strawn is prominent in the councils of the Republican Party and a friend of President Hoover, yet he had this to say about the tariff:

I submit that in our own selfish interests we cannot raise our tariff barriers so high as to prohibit the importation of foreign goods into this country and at the same time expect any considerable increase in the volume of our foreign trade with other countries.

The *Sun*, which is traditionally anti-protectionist, makes this comment upon Mr. Strawn's remarks:

That ought to be such an obvious truism that even a schoolboy would hoot Mr. Strawn for consuming the time to state it. But we have been so gulled by hocus pocus about "triangular trade," demonstrations that American sightseers in Paris can pay for ever-increasing exports, etc., that such a declaration by the head of a national chamber of commerce assumes the importance of news worthy of transcontinental dispatch.

ABOUT PARIS

Mr. Arthur Kingsland Griggs has prepared a most interesting book about the French capital. It is called "My Paris" and the sub-title is "A Book About the Heart of France" (New York: Lincoln MacVeagh-Dial Press, \$4.00). This book consists of fifteen chapters, each dealing with a phase of Parisian life and each written by a French author. Mr. Griggs has made the selection of essays and translated them. We are thus enabled to see Paris as well-known Parisian writers see it.

One finds here descriptions of the railway stations of Paris, the boulevards, the booksellers on the quays, Sunday outings, Luxembourg, Eiffel Tower, the Parisian markets, the department stores, the gardens, the New Year's visits, Montmartre, and other places or habits to be observed in this city which is the mecca of tourists from all over the world. The following excerpt from the chapter on "Culinary Paris" is suggestive of the general tone and atmosphere of Parisian life:

Paris is the city that cares the most about what it eats. But it eats with a characteristic sense of proportion and humour.

The French capital is the city where you have the best opportunity of experimenting on what other lands have to offer in the way of food; there also you may make an instructive and delightful tour of French provin-

cial cookery. Yet it is a fact that what Paris itself offers can be found nowhere else. Only in Paris can one eat as well as the Parisian.

This is because the manner of preparing food, the recipes and the culinary resources of the city itself and of the neighboring province of the Ile de France, each in its own sphere reflects that indefinable something known as the soul of Paris. They are as much a part of its life as the special atmosphere which envelops the city and its inhabitants, they mirror its moods of love and laughter, they hold its grace, its harmony, its wit and originality. Paris cooking sets one in tune with the city's crowded thoroughfares and those secluded byways in which one may still catch the whisper of the past, that haunting, wistful whisper evoking days that are no more.

"My Paris" is not only instructive and interesting. It is a work of beauty. Each chapter is illustrated by the reproduction of a painting. These pictures are quite out of the ordinary, together with the very attractive binding. They lend distinction to the book.

IN MY ZOO

"In My Zoo," by Paul Eipper (New York: Viking Press, \$2.50) is an extremely delightful book on animal life. The author has devoted many years to the study of the animal kingdom—their habits, their mode of living and their personal likes and dislikes, all of which would be left unnoticed by the casual observer. Mr. Eipper has visited zoos in nearly every part of the globe and has come into contact with numerous varieties of uncommon animals as well as those which are familiar to most of us. He has written his observations in a chatty and informal manner. The result is a concise and interesting narrative. In spite of the book's apparent simplicity one has the feeling that Mr. Eipper has portrayed the outstanding characteristics of the animals about which he writes. This is the way in which he tells of a young leopard learning to play:

There is a leopardess in Hagenbeck Zoo who is called the "Chinee" by the keepers. It was while watching the "Chinee" that I first observed the ways in which the leopard mother trains her children. At first I could not understand what she was doing, as suddenly she sprang vertically into the air. Swiftly as a snake she glided towards the wall, leapt at it with one tremendous spring, and with an indescribable effort of muscular energy landed on a crossbeam two yards away to the left. Yes, she actually described a full circle in the air, all the while uttering strange long-drawn-out purrs and cries. But when she took her cub in her mouth and sprang again and again with her living burden high in the air, I understood. She was trying to teach her child to play, and so to develop his muscles in his games.

THE DANGER ZONE

On the night of September 18, 1931, Sherwood Eddy, American author and lecturer, was at Mukden in Manchuria. He witnessed the capture of that city by Japanese troops. Later he was present at Shanghai and saw the Japanese offensive met by dogged resistance on the part of the Chinese. Still later, Mr. Eddy went to Japan, and talked with a number of Japanese leaders, obtaining their viewpoint with regard to the conflict with China, just as he had interviewed Chinese leaders a little earlier.

Immediately upon his return to the United States, Mr. Eddy put into book form an account of what he had seen while in the Far East, giving his own opinions of the dispute. The result is a small and very readable book entitled, "The World's Danger Zone," (New York: Farrar &

Rinehart, \$1.00). The book does not go into great detail about the events which have taken place in the Orient. The author takes a larger view of his subject and is concerned mainly with the probable consequences of the conflict.

He places responsibility squarely upon the shoulders of Japan, stating that the provocation offered by the Chinese was insufficient to justify what was evidently a carefully planned and well timed offensive for the purpose of expanding in the Far East. Speaking of the capture of Mukden,

Mr. Eddy says:

The scenes in Mukden the next morning carried me back to the World War. The Japanese soldiers were arrayed in steel helmets and their artillery was carefully placed. Sandbags and barbed-wire entanglements were strongly reminiscent of the conflict of 1914. Japan seemed ready to the last detail, better equipped and more fully prepared than were the Allies some months after the World War had begun.

As we read on we come upon the author's indictment of Japan.

He sums up the situation as follows:

Not only for China and Japan, but for the world, the consequences of Japan's military offensive are fraught with danger. The war that Japan has carried steadily forward from Mukden to Harbin in the north, to Chinchow and Shanghai in the south, may insure the failure of the Disarmament Conference. The failure of this Conference will probably mean the menace of Germany in revolution, beginning on the Hitlerite right and swinging to the Communist left. This would mean the threat of another World War followed by its crop of resulting revolutions like that in Russia in 1917. Thus Japan must face the terrible responsibility of being the cause or occasion of the break-up of China and the forming of a large Communist state in the heart of the Far East, a war with Russia followed by internal revolution in Japan, and a world war which may again draw into its seething-vortex all the principal nations of the world.

It seems that many of these observations may be discounted now that peace has been restored to the Orient, although there appears to be no denying Mr. Eddy's contention that Manchuria is a veritable tinder-box which may yet set the world aflame. Likewise, the author is doubtless correct in his opinion of the effect of the conflict on the growth of Communism in China. The Chinese seem to be turning more and more toward Soviet Russia and the prospect of a Communist China is far from being a figment of the imagination.

ECONOMICS MADE EASY

"The Road Ahead" by Henry W. Laidler (New York: Thomas Y. Crowell and Company, \$1.00) is a small book which furnishes a clear, understandable and readable description of capitalism and socialism for young readers. Mr. Laidler is executive director of the League for Industrial Democracy and he undertakes to present the case for socialism in language that children can understand. The exposition of socialism, however, is of less concern to us than the method which the author uses. We regard this work as an example of clear and vivid social science instruction for boys and girls. All the chapters are written in the form of direct discussion with two young people called John and Mary. The author speaks intimately to them, describing simply fairly complex economic facts and processes. This method of presentation is a very effective one and may be used to good purpose whatever the object of study may be.



An illustration from "In My Zoo," by Paul Eipper (Viking Press).



ON THE BOULEVARD

An illustration from "My Paris" by Arthur Kingsland Griggs, (Lincoln MacVeagh-Dial Press).



TOWARD the last of the course in American history comes the story of the World War and of America's participation in it. How shall this great event be treated? What is the significance of the war? What does it mean to us today? What place does it hold in the history of the nation? These are questions which one may well raise as he enters upon a discussion of the war period.

From almost any standpoint the war appears today as one of the most stupid blunders upon which governments of the world have ever stumbled. It is one of the stupendous tragedies of history. One of its objects was to render nations and peoples more secure. This was an aim felt by the French and the Germans, the Russians, the Austrians, the Americans, the English. The Germans and Austrians lost the war and they are less secure than they were before. They have lost territory, raw materials, man power. They are saddled by debts. Their armies are gone. Certainly they have not found security as a result of the war.

France and her allies won the war. When the fighting ceased, these allies stood over Germany's prostrate form and wrote a treaty according to their own designs. It would seem that if military victory could render nations secure, this one had done it. And yet, during the post-war years we hear from France a mighty wail as that country demands security, as she protests that she is not secure, and as she calls upon the other nations to help her in case she should be attacked. England is so insecure that many people question whether she can ever regain the old commanding position which she occupied before the war. There are no enemies at our own gates, and yet we tremble in anxiety for the economic structure we have reared. We wonder when, if ever, the old prosperity will return. We look back with longing to the good old days of relative security which we enjoyed before the war.

The war was fought to combat autocrats and "make the world safe for democracy." Democracy has, indeed, made a few gains since the war, but it has suffered many losses. A number of nations which knew democracy before are now ruled by autocrats, or at least stand in the shadow of dictatorships.

But the effect of the war which impresses itself most deeply upon the world today is to be seen, not in international political relations or in governmental structures, but in a changed economic situation. The war, of course, wrought a tragic physical destruction, of which the picture on this page is symbolic. Furthermore, it was carried out only through a process of immense economic waste. Billions upon billions of dollars were spent in its prosecution. People often speak as if this waste and destructiveness of the war, of the four years during which mankind turned its energies toward destruction, were the cause of the present world-wide economic depression. This is probably not true. The people of the world produced the goods which they consumed during the war. They produced the shells, the explosives, the cannons, the ships, the soldiers'

food, the uniforms, all the rest of the mechanism of war—they produced it as they used it. The physical losses were soon repaired, and had these been the only economic consequences of war, the world would soon have been in position to march forward again.

But the war had produced economic dislocations which rendered impossible the resumption of the commercial life the peoples of the nations had known before the great catastrophe. The term "dislocation of industry" is vague. Let us clarify it and make it concrete by referring to certain examples.

Let us see first what the war did to agriculture, or rather to a particular branch of agriculture, the production of wheat. Much the same thing happened to other agricultural industries. The case of wheat is typical.

The War's Effect on Agriculture

Before the war wheat was raised in certain areas and the grain was sold by the farmers of these wheat-raising regions to peoples elsewhere in the world. The scheme of things was fairly stable. The demand was fairly constant. As the war proceeded, the demand for wheat increased tremendously, and many communities which had been importing wheat found themselves unable to do so. The result was that they themselves began to produce it and rendered themselves self-sufficient. This was made all the more necessary because Russia, a great wheat exporter, suffered revolution and went temporarily out of the market.

When the war closed and the war demands vanished, the farmers in the wheat-exporting areas wished to sell their grain abroad, as they had done before, but they found that the people of these former importing regions had learned to do without it. Italy and Germany and many other nations were producing more wheat and importing less. Then Russia came back into the market, and the export trade of countries like the United States collapsed. Wheat selling on the western

farms of the United States at twenty-five cents a bushel is thus a direct result of the dislocations produced by the war.

The same kind of thing has happened to a number of other industries. British prosperity before the war depended largely upon the export of coal, but when the war was over the market for British coal was practically gone. France was taking coal from Germany, and other of Britain's former customers had found ways of getting along without British coal.

But this is not all. Perhaps these results are not the most serious. There was also a dislocation of credit. The peoples and governments of the world found themselves very heavily in debt as a result of the war, and these debts were unproductive. If a creditor lends money to a debtor in order that the debtor may engage in productive business, the situation is safe enough, for the money is to be used for a purpose which will insure the payment of interest and the eventual repayment of the debt. But if money has been loaned for the carrying on of a war, or for another unproductive purpose, then the repayment of the debt produces a strain upon the debtor—a strain upon energies and industries. That is what has happened as a result of the debts contracted during the war. It is a case of "paying for a dead horse."

The Credit Situation

Certain nations have found that their governments and their peoples have been put into debt to foreigners. If these debts are to be paid, money must pass out of the country. Yet if too much money passes out of the country, the currency of that nation will be affected. If its gold goes out it may be thrown off the gold standard, and this causes all kinds of dislocations.

It is a well-known fact that Germany was able to pay reparations after the war only because money was flowing into Germany from the United States and

England in the form of loans. Last summer the financial bankruptcy of Austria produced fear in the minds of the creditors who had loaned money not only to Austria but to Germany. Americans and English refused to extend their loans and tried to get their money back. When they found that it could not be drawn out, the creditors themselves were put in a shaky position. The British had loaned a great deal to the Germans. This was all right if they could get it back in a little while, but when they could not get it back, it turned out that the reserve left in England was not great, and when people began converting their British securities into foreign securities, Great Britain was forced to suspend the gold standard.

Now we have a situation which is serious indeed. The commercial world does business on credit. Credit depends upon confidence. It will not be extended if confidence is lacking, and confidence is lacking. This is one reason for business stagnation all over the world. It is one reason why foreign trade is almost at a standstill.

There is this further complication. Certain nations owe a great deal of money. Their governments owe money to other governments, and their citizens owe money to foreign citizens. If these debts are to be paid, gold must be accumulated and sent out of the country. If gold is to be accumulated, exports must be increased so that money will be coming into the country, and imports must be curtailed so that in the normal course of trade, money will not have to be paid out. If exports cannot be increased, imports must be drastically cut down. They can be cut down by the raising of tariff walls which shut out foreign goods, and so, many of the nations have felt obliged to erect high tariff walls. Germany, for example, has established trade restrictions which render the sale of wheat to Germans by Americans almost impossible. Creditor countries, such as the United States, though not compelled by such reasons as affect the debtor countries to raise tariff walls, have, as a matter of fact, raised them. As a result, those owing this country money cannot sell us goods, and unless they cannot sell us goods, and unless they are able to sell goods they cannot, of course, accumulate the money to pay the debts.

Resulting Trade Restrictions

The whole world is therefore bogged in a mass of trade and credit restrictions. It is these dislocations of industry, direct results of the war, which have intensified the business depression and rendered it world wide. It is these dislocations which make this depression different in character from the others the world has seen, and vastly more severe. It is these dislocations which have threatened to produce a catastrophic breakdown of the world's economic machinery.

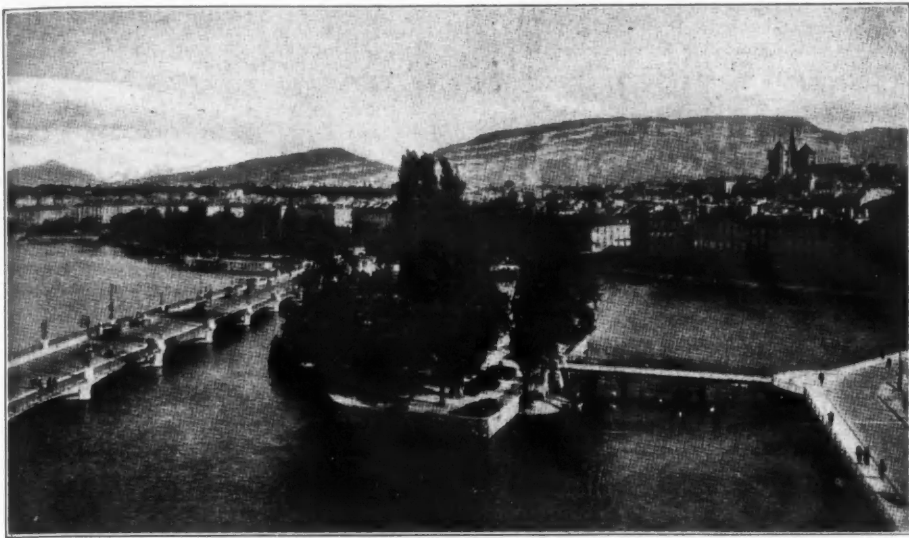
This economic disaster into which we are plunged is a part of the war, as truly as was the roar of artillery and the shedding of blood. Those who have not time to examine these economic consequences should skip the war altogether, for there is no way by which we may miss the truth more completely than by examining certain aspects of reality while omitting a consideration of features which are essential in its composition.



ONE OF THE RESULTS OF THE WAR

The physical destruction wrought by the war proved far less disturbing to post-war society than the dislocation of industry and credit.

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GENEVA—THE "CONFERENCE CAPITAL" OF THE WORLD

SINO-JAPANESE CLASH TOPS FOREIGN EVENTS

(Concluded from page 1)

without resistance marched into and captured the city of Mukden, in Manchuria. And immediately the Far Eastern crisis became the big news of the day. Pressing forward what now appears to have been a carefully prepared program of expansion, the Japanese took one city after another in Manchuria, until practically all that territory was under their control.

Chinese resentment expressed itself in an intensification of the boycott against Japanese goods and in a number of anti-Japanese demonstrations. In an attempt to break the boycott and to quell the disturbances, Japan, late in January, launched an offensive against Shanghai, the great Chinese metropolis. Here the Chinese offered resistance of the most stubborn nature. For several weeks war in everything but name was in progress in Shanghai and the immediate vicinity.

Thus it was, that just at a time when Europe was sadly oppressed with a multitude of troubles, when a great disarmament conference was about to convene and when tranquillity was the most crying need, a serious threat to international peace was presented. The nations of the West were concerned, not only through fear of being drawn into a conflict or through uneasiness for the safety of their citizens residing in China, but because a war was in violation of certain highly important treaties. Both China and Japan belong to the League of Nations, the covenant of which expressly forbids armed conflict between members; both have signed the Kellogg-Briand Pact, outlawing war of an aggressive character and Japan, in the Nine Power Pact, has undertaken to preserve and respect China's right to the possession of her own territory. Each of these agreements was endangered by the outbreak of hostilities. It was apparent that were they to be broken and cast aside, all hope of assuring peace to the world by treaty would be lost.

INTERVENTION

It was in an effort to persuade China and Japan to settle their dispute peacefully that the Council of the League of Nations met in special session at Geneva in October. A series of notes were dispatched to the two powers by the Council and later by the Assembly. The government of the United States likewise took action and Secretary Stimson on several occasions sent diplomatic communications to China and Japan. At first these had little effect. China called upon the League for help charging Japan with aggression. The Japanese stoutly maintained that they were merely protecting their rights and the lives and property of their citizens and that the dispute would have to be settled by the two contending powers.

However, in January the American secretary of state made a strong declaration to the effect that the United States would

not recognize a settlement in violation of existing treaties. Similar action was later taken by the League. Such intervention, coupled with the amazing Chinese resistance at Shanghai, apparently had some effect. Fighting ceased in March and armistice negotiations were begun. Eventually Japan withdrew from Shanghai. The net outcome of the Far Eastern events seems to have been a defeat for Japan at Shanghai and a victory in Manchuria, which she has established as an "independent" state under her own supervision. The fact that Japan felt obliged to retreat from Shanghai appears to be a victory for the force of world opinion.

EUROPEAN POLITICS

While all this was taking place in the Orient, Europe continued to be visited by trouble. Great Britain managed to recover from her financial shock in a remarkable manner, but other countries did not fare so well. In Germany the situation was particularly acute. The government, under the practical dictatorship of Chancellor Brüning, was doing its utmost to ward off disaster. A number of emergency decrees were brought into effect but the condition of Germany was never encouraging. It was evident that the Germans would not be able to make reparations payments after the expiration of the debt moratorium in June of this year. There was consequently inaugurated a debate on the question of reparations and war debts.

The United States Congress declared against an extension of the moratorium and a scaling down of debts; France was opposed to further postponement of reparations but insisted that should postponement or reduction of German indebtedness prove necessary, allied war debts to the United States would have to be given similar treatment; Great Britain and Italy seemed to favor an all-around cancellation. Premier Laval of France came to America partly to discuss the problem with President Hoover, and Signor Dino Grandi, Italian foreign minister, obviously came for the same purpose. An international conference was arranged for, to be held at Lausanne, Switzerland, in January to settle the problem. But before the conference was held, Chancellor Brüning caused confusion by declaring that Germany could no longer pay any reparations. And on the eve of the meeting a postponement was declared until June.

Aside from such financial difficulties, Europe, during the past nine months, has been far from secure politically. In Germany, Adolf Hitler and his National Socialist party made strong appeals to the people for support, and attempted in the Reichstag to overthrow

the government and to substitute a Fascist dictatorship. As a result Chancellor Brüning was never completely certain of his power, and his position became increasingly uncertain at the time of the presidential elections of March and April, and the German state elections of April. In these contests the Hitlerites registered large gains until now they constitute the strongest political party in Germany. But they have so far failed to attain control as other parties are combining against them.

Similarly, French politics have as usual been turbulent. In the characteristic manner of French cabinets which never remain long in power, Premier Laval's government was defeated in February. He was succeeded by André Tardieu who is now about to be

replaced by another, probably Edouard Herriot, Radical-Socialist. In the elections for the Chamber of Deputies held on May 1 and May 8, the Radical-Socialists and other Left groups gained over their Right adversaries. In consequence M. Tardieu tendered his resignation as a Rightist, to take effect early this month when the new Chamber meets. With regard to foreign affairs there is no great distinction between Left and Right in France although the former groups have the reputation of being somewhat more conciliatory. But it is not expected that there will be any great change in French foreign policy.

DISARMAMENT

The unsettled political condition of Europe, together with the developments in the Far East, have been two dark clouds hanging over the World Disarmament Conference, which convened at Geneva on February 2. To date this gathering has been able to accomplish little in the way of reaching agreements for the definite reduction of armaments. With insecure governments, statesmen have been unable to commit themselves to programs for disarmament. And national policies have been in strong conflict, thus rendering the task of the conference much more difficult. Nations are unwilling to sacrifice their policies and as a result progress toward a reduction of armaments is delayed.

These may be considered the outstanding developments of the past nine months in that they have overshadowed all others by their very importance. In a more normal year a number of events would have claimed far greater attention than they actually did. The Indian Round Table Conference held in London last fall—a

second attempt to solve the problem of India—caused a certain flurry, mainly because of Mahatma Ghandi's visit to London. The conference itself, however, failed and Britain and India are still at odds. Other events which can only be recorded briefly were the establishment of the Spanish constitution, the failure of the recent London Conference to provide an economic union for the Danubian States in Europe, the crisis in Australia and the manifold disturbances in Latin America.

As we close, many issues remain to be settled and it is certain that the summer months will witness many interesting developments. The Lausanne Conference is only a little more than two weeks away; Ireland is apparently determined to abolish from her constitution the oath of allegiance to the British crown and to embroil herself with Britain; central Europe is in a critical state and is badly in need of relief; Japan is witnessing internal disorder and China seems on the verge of chaos. The list could be prolonged almost indefinitely. The coming months seem destined to be anxious and critical.

DEBT SETTLEMENTS

One by one the European nations owing war debts to the United States are signing agreements providing for the repayment of the sums postponed by the Hoover moratorium. Great Britain has agreed to arrange for repayment of her postponed indebtedness, Finland and Greece already have signed, and it is expected that negotiations will soon be concluded with other countries. The agreements fix the details of repayment of the \$252,000,000, owed to us this year, which we have postponed. The payments will be made over ten years, and interest at four per cent will be charged.

However, the fact that these agreements have been concluded does not mean that the payments will actually be made. As explained, they are more a matter of book-keeping than anything else. When the moratorium was put into effect last June, a number of details were not arranged, and these are being taken care of at the present time. Therefore this latest action will have not effect on the question of reparations and war debts.

The new French Chamber of Deputies will meet this week and Edouard Herriot, Radical-Socialist, will almost certainly succeed André Tardieu as premier. M. Herriot's party gained greatly in strength in the elections last month and it is expected that it will dominate the new government. It is not known, at this writing, just how the new cabinet will be formed. For the most part M. Herriot has kept silent since the elections and has given very few interviews to the press.



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SHANGHAI—WHERE THE SINO-JAPANESE CONFLICT REACHED ITS CLIMAX

Highlights of the Year--September to June

DOMESTIC

September.—The president informed the American Legion that its demands for further payment of the bonus and additional pensions at the moment were undesirable because of the financial situation of the country.

Secretary Stimson dispatched a note to Japan, informing it that this government looked upon its activities in Manchuria as a matter of grave concern. He also informed the League of Nations that the United States government was in full accord with its action taken in the Sino-Japanese conflict. Both China and Japan explained their attitudes to the Department of State.

The United States Steel Corporation, and other leading industrial concerns, announced that a ten per cent reduction in wages would be put into effect.

October.—Political leaders of both parties were called to Washington to confer with the president on the emergency which had developed in the banking situation. Following this conference, the National Credit Corporation was organized.

Prentiss Gilbert, American consul at Geneva, was instructed to sit with the League Council in seeking to bring to an end the conflict in the Far East. The American government continued its efforts to restore peace in the Orient.

M. Laval visited the United States. A bitter controversy arose between President Hoover and the Navy League, a private organization interested in naval affairs, over the size of the American Navy. The president was accused of "abysmal ignorance" of naval affairs.

The Interstate Commerce Commission refused to grant the railroads of the country permission to raise their freight rates fifteen per cent.

A nation-wide campaign to raise funds for unemployment relief was launched. Walter S. Gifford was named chairman of the president's committee.

November.—An investigating committee, appointed by the president, reported that the accusations made by the Navy League were unfounded and that the information which it had disseminated was erroneous in many respects.

Charles G. Dawes, American ambassador to London, was instructed to attend the Paris meeting of the League Council. Signor Grandi visited the United States and spent several days in Washington and New York City.

The State Department made it clear to European governments that this country considered war debts and reparations as two distinct and separate questions and would not be inclined to regard them as a single problem. It further insisted that European countries would have to settle their own problems before this government would consider further extension of the war debt moratorium.

December.—The Seventy-second Congress opened. John N. Garner was elected speaker of the House of Representatives and the Democratic Party organized the lower house. The Republicans had a slight majority in the Senate.

In his messages to Congress, the president urged increased taxation and economy in government expenditures in view of the treasury deficit. In a separate address, Mr. Hoover recommended the immediate ratification of the moratorium announced during the previous summer. He also envisaged further adjustments in the war debts owed this country and suggested the recreation of the World War Foreign Debt Commission.

The question of the moratorium and war debts occupied practically the entire attention of Congress prior to the adjournment for the Christmas holidays. Violent opposition burst forth in both houses. It was only at the last moment that ratification was finally obtained. Congress voiced itself decidedly opposed to further moratoria or adjustments in the war debts.

The American government repeated its warnings to the Japanese and Chinese governments that they must adhere to their obligations under the Kellogg-Briand Peace Pact and the Nine-Power Treaty.

Charles G. Dawes was named as head of the American delegation to the World Disarmament Conference to meet in Geneva in February.

January.—As Congress reconvened, the president sent a special message urging immediate legislative action to cope with the depression. The principal recommendation was that a reconstruction finance corporation should be organized to "thaw out frozen assets" and strengthen the credit system of the nation.

In a message to the Japanese and Chinese governments, Secretary Stimson asserted that the United States would insist upon the maintenance of the open-door policy in China and would not recognize any agreement between the disputants arrived at in violation of existing treaties. The American consul at Mukden was attacked by a group of Japanese.

President Hoover announced that the president of the Reconstruction Finance Corporation would be Charles G. Dawes and that consequently Secretary Stimson would head the American delegation to the disarmament conference. The act of Congress authorizing the creation of this governmental agency was signed by the president.

The American government ordered a number of military vessels to Shanghai waters in view of the Japanese attack upon that section of China. The president and secretary of state expressed concern over the entire Far Eastern situation.

Representatives of railway labor and railway capital met in Chicago to consider proposals for a ten per cent wage reduction to be effective for one year. An agreement to this effect was reached some weeks later.

February.—Andrew W. Mellon was named American ambassador to Great Britain to succeed Charles G. Dawes. He was succeeded by Ogden L. Mills.

The United States took a firm stand on the Far Eastern dispute by dispatching more warships to Shanghai and by stating that it would not allow action which might lead to the partitioning of China.

Congress passed the Glass-Steagall banking bill, the main object of which was to protect the gold reserve of the Federal Reserve System, to permit Federal Reserve banks to buy large quantities of government bonds, and to arrest bank failures.

The Costigan-LaFollette relief bill, designed to appropriate \$375,000,000 for unemployment aid, was defeated in the Senate after several weeks' debate.

Benjamin N. Cardozo was appointed to the bench of the Supreme Court to fill the vacancy caused by the resignation of Oliver Wendell Holmes in January.

March.—Mr. Stimson expressed the satisfaction of the American government at the action taken by the meeting of the Assembly of the League of Nations.

The new revenue bill, designed to raise more than one billion dollars in additional funds during the next fiscal year, was presented in the House by the Ways and Means Committee. A bitter debate arose over the sales tax provision, the major feature of the bill. This section was finally defeated.

The House took its first direct vote on the question of prohibition since the enactment of the Eighteenth Amendment. This vote was taken on a motion to consider the Beck-Linthicum resolution and resulted in its defeat, 227 to 187.

Congress passed the Norris-LaGuardia anti-injunction bill.

Congress approved the Norris "Lame Duck" Amendment to the Constitution.

April.—In a special message to Congress the president urged both houses of Congress to enact legislation designed to provide far-reaching economies in government expenses. The House Economy Committee, working in cooperation with the executive department, drafted an economy bill of \$200,000,000.

The House passed the Hare bill which provides for the granting of independence to the Philippine Islands within eight years.

Secretary Stimson left for Geneva to attend the disarmament conference.

The House of Representatives passed the tax bill, after making numerous changes from the original proposal.

The Senate Banking and Currency Committee held investigations of the activities of the New York Stock Exchange after a violent decline in the price of securities.

A political rift between Franklin D. Roosevelt and Alfred E. Smith, leading aspirants to the Democratic nomination for the presidency, developed after an address delivered by Mr. Smith at the Jefferson Day dinner in Washington.

The Senate Finance Committee began its work on the tax bill. At the governors' conference held in Richmond, the president urged economy in state and local governments.

May.—The Senate began its debates on the tax bill. President Hoover sent a sharp message to Congress in which he rebuked both houses for their delay in passing adequate economy and revenue bills.

The House Ways and Means Committee voted unfavorably on a bill designed to pay more than two billion dollars of bonus to war veterans.

President Hoover and leaders of the Senate started a new drive for economy, hoping to rescue some of the items defeated in the House.

President Hoover vetoed the Democratic Tariff Bill. Veto sustained in the House. Depression and unemployment relief loomed as an outstanding issue in Washington when three definite proposals were made—one by the president, one by the Democrats, presented by Senator Robinson of Arkansas and a third by representatives of railway labor unions.

Owen D. Young definitely announced that he could not accept the Democratic nomination for the presidency if it were offered him.

A committee of twelve leading industrialists and bankers was appointed by the New York Federal Reserve Bank. They were to work together in devising means of organizing the nation's resources and credit facilities in combating the depression and relieving unemployment.

INTERNATIONAL

September.—The second Round Table Conference on India convened in London. The twelfth session of the League of Nations was held in Geneva. Mexico became a member of the League. Signor Grandi proposed that an armaments truce be agreed upon by all nations, to be effective until the end of the disarmament conference.

At a meeting of the European Union Commission, Dr. Schober, Austrian foreign minister, announced that the Austro-German customs union proposal had been abandoned. A similar renunciation was made by Dr. Curtius, German foreign minister. Two days later, the World Court handed down its decision, holding that the union would constitute a violation of the Treaty of St. Germain-en-Laye.

The coalition government in Great Britain imposed heavy increases in taxes and drastic economies in government expenditures, deemed necessary because of the critical state of British finances. Great Britain abandoned the gold standard. Japanese forces occupied the city of Mukden, capital of Manchuria. China protested to the League of Nations.

Premier Laval and Foreign Minister Briand of France visited the heads of the German government in Berlin to discuss plans for economic cooperation. The Scandinavian countries abandoned the gold standard.

October.—General elections were held in Great Britain, resulting in a smashing defeat for the Labor and Liberal Parties and a return to power of the Nationalist government under the premiership of Ramsay MacDonald.

Japan continued to press its activities in Manchuria, advancing to the north and south of the province. The League Council met in special session to consider the dispute. It fixed November 16 as the date for withdrawal of Japanese troops.

Germany enacted new emergency decrees to protect the gold reserves of the central bank. Signor Grandi visited Chancellor Brüning in Berlin. The German government announced that it would be unable to pay reparations.

November.—The situation in the Far East continued to remain tense in the face of efforts of the League Council to restore peace. The Council held a meeting in Paris. Japan insisted upon the right to protect the lives and property of her citizens in Manchuria.

Great Britain established an emergency tariff against foreign manufactured goods. The action was taken by Parliament because of the abnormal quantities of foreign goods entering the country.

Germany requested the Bank for International Settlements at Basle to investigate her financial situation with a view to making further adjustments of reparations payments.

The Labor government of Australia was forced from office. The Round Table Conference on Burma convened in London.

December.—The second Round Table Conference came to a close with a statement by Prime Minister MacDonald that the British government would continue its activities to establish a federated government for India. Rioting and terrorism broke out in several sections of India resulting in the application of severe restrictive measures on the part of the government. Mahatma Gandhi and the Round Table delegates returned to India. A new campaign of civil disobedience broke out, resulting in the incarceration of leading Nationalist leaders including Mr. Gandhi.

The Spanish Cortes, or assembly, approved the new constitution of that country. Alcalá Zamora was elected the first president of Spain.

A special committee of bankers met in Basle under the auspices of the World Bank to study German finances in an effort to reach a decision on the question of Germany's ability to pay further reparations. The committee recommended an extension of the moratorium.

Japan abandoned the gold standard. The government in power was forced from office and a new cabinet formed under the premiership of Ki Inukai. Chinese boycott of Japanese goods greatly hurt Japan and caused considerable agitation in that country. The Japanese drive on Chinchow began on Christmas day.

Hungary declared a moratorium on its foreign debts.

Finland voted in favor of abolishing prohibition.

January 18 was fixed as the date for a conference on reparations and war debts.

January.—Chancellor Brüning announced that Germany could no longer keep up reparations payments. This statement, coupled with the failure of the French and British governments to reach an agreement, resulted in the postponement of the Lausanne parley.

The Round Table Conference on Burma came to a close, resulting in a promise on the part of Great Britain that an independent government would be set up.

The French cabinet was reorganized.

Almost a billion dollars' worth of South American bonds, held by investors in this country, were in default at the beginning of the year.

The Japanese Diet was dissolved and general elections were called for February 20. The Japanese began an attack on Shanghai late in the month. Foreign governments protested against the activities of Japanese in the Shanghai district and sent naval forces to protect the International Settlement.

February.—The World Disarmament Conference convened at Geneva with representatives of nearly sixty nations in attendance. During the early sessions, the major topic was the limitation of armaments.

A dispute between Lithuania and Germany arose when the president of Memel, an independent city on the Baltic Sea, was seized by a group of Lithuanians. The dispute was referred to the World Court.

General elections held in the Irish Free State resulted in the defeat of the government in power under William T. Cosgrave and in the election of de Valera.

The Laval Cabinet resigned after a defeat in the French Senate. André Tardieu was appointed premier.

Finnish Fascists made an attempt to overthrow the government in Helsinki but were unsuccessful.

The world continued to look upon the situation in the Far East with grave concern. The Commission of Inquiry of the League of Nations departed for the Orient. A special meeting of the League Assembly was called.

March.—The League Assembly met in Geneva and adopted a resolution calling upon Japan and China to cease fighting. It appointed a special committee of nineteen to handle the dispute. It declared itself unanimously in favor of recognizing no situation arrived at in violation of the Kellogg Pact and the League Covenant. Manchuria was set up as an "independent" state.

Eamon de Valera assumed the presidency of the Irish Free State and announced the intention of his government of abolishing the oath of allegiance to the British king from the constitution. The Irish government notified the British government of its intentions in this regard and also its intention of abolishing the land payments.

Japan and China entered armistice negotiations at Shanghai with the support and cooperation of diplomatic representatives of foreign nations stationed in that city.

Presidential elections held in Germany resulted in victory for Paul von Hindenburg, although his majority was not absolute and second elections were called.

April.—Premier Tardieu of France visited London to confer with Ramsay MacDonald on the outstanding problems confronting Europe. Two days later, representatives of Great Britain, France, Germany and Italy met in the same city to discuss proposals for the formation of an economic union among the so-called Danubian countries, Austria, Hungary, Czechoslovakia, Yugoslavia and Rumania. The conference was a complete failure because the German and Italian delegates could not accept the terms of the Tardieu plan and the French and British refused to listen to the plans brought forth by the other two countries.

The "run off" elections in Germany resulted in a definite victory for President von Hindenburg. In the state elections, held during the latter part of the month, the Hitlerites gained considerable strength throughout the country. They did not, however, obtain sufficient votes to place them in control of the government.

The disarmament conference reconvened after the Easter vacation and endeavored to reach concrete proposals but little was accomplished.

Relations between the Soviet Union and Japan became somewhat strained as the Soviets increased the number of their troops along the northern boundary of Manchuria. The armistice parley continued at Shanghai.

The British budget, presented by Neville Chamberlain, chancellor of the exchequer, omitted payments of war debts to the United States.

May.—General elections were held in France. An entire new Chamber of Deputies was selected by the French people. The results gave a victory to the so-called "Left Groups." It was expected that Edouard Herriot, leader of the Radical Socialist Party, would head the new cabinet. President Doumer of France was assassinated. Albert Lebrun was chosen to replace him and M. Tardieu tendered his resignation.

The long-awaited armistice was signed at Shanghai. Renewed strife between the Nanking and the Canton factions of China resulted in a statement from the central government to the effect that force would no longer be used to hold the country together. The right of secession was accepted in principle. Ki Inukai, the Japanese premier, was slain by a group of militarists.

The German Reichstag met in a stormy session; Hitlerites protesting against the dissolution of the "Brown Army." Chancellor Brüning was confronted with the task of reorganizing his cabinet as two members resigned. In presenting the budget, Herr Brüning repeated that Germany could no longer pay reparations.

New riots between Hindus and Moslems broke out in Bombay and Calcutta.